

STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103F, HRS

To: Chief Procurement Officer

From: Department of Human Services
Department/Division/Agency

Pursuant to § 103F-101(a)(4), HRS, and Chapter 3-141, HAR, the Department requests a procurement exemption to purchase the following:

Title and description of health and human service(s):

Processing of approximately 24,000 returns at an average of \$1600 per return generating an additional \$36,864,000 to the State for qualified Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) for low-income families. In addition, to work with low-income recipients to increase basic financial literacy and promote asset development.

Provider Name: Hawaii Community Action Agencies: HCAP HCEOC MEO and KEO	Total Contract Funds: \$100,0000	Term of Contract: From: To: 02/01/04 06/30/07
Provider Address: Various	Contract Funds per Year (as applicable).	

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

See attached

Details of the process or procedure to be followed in selecting the service provider to ensure maximum fair and open competition as practicable:

See attached

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A description of the state agency's internal controls and approval requirements for the exempted procurement:

Contracts will be executed between the Department and each HCAA agency specifying the responsibilities of the parties, the goals, strategies, and expected benefits. Each of the 4 HCAA agencies will be responsible for the administration of their respective projects. Each agency will prepare reports and submit these to the department according to schedule. Monitoring will be conducted by staff. The outcome evaluation will be based on the number of returns filed and the income generated from these filings.
Please see attached for more project details.

A list of state agency personnel, by position title, who will be involved in the approval process and administration of the contract:

Lillian B. Koller, Esq., Director
Henry Oliva, Deputy Director
Patricia Murakami, Division Administrator, Benefit, Employment, & Support Services Division (BESSD)

Direct questions to (name & position):

Patricia Murakami, Div. Adm.

Phone number:

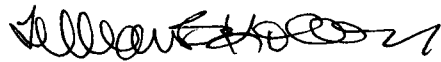
586-5230

e-mail address:

pmurakami@dhs.hawaii.gov

This exemption should be considered for list of exemptions attached to Chapter 3-141, HAR: Yes ☐ No ☒

I certify that the information provided above is to the best of my knowledge, true and correct.



Department Head Signature

FEB 10 2004

Date

Lillian B. Koller, Esq.

Typed Name

Director

Position Title

Chief Procurement Officer's Comments:

Please ensure adherence to applicable administrative requirements.

☐

Approved

☐

Denied

Chief Procurement Officer

Date

cc: Administrator
State Procurement Office

**REQUEST FOR EXEMPTION FROM CHAPTER 103F, HRS.
ATTACHMENT**

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

The four (4) Hawaii Community Action Agencies (HCAAs): Hawaii County Economic Opportunity Council (HCEOC), Honolulu Community Action Program (HCAP), Maui Economic Opportunity Council (MEO), and the Kauai Economic Opportunity Council (KEO) have a 38-year history of outstanding service to the low-income and working poor in Hawaii. In addition they also administer the State and Federal Low Income Energy Assistance Program, the only providers approved federally and by the State because they serve specific, distinct, and non-overlapping areas and are the only agencies that can receive federal funds to administer low-income programs.

The proposed procurement with the 4 HCAAs will seek to launch a statewide program that will reach those low-income working families who qualify, but have failed to apply for, the federal Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Under this statewide program, the HCAAs will process approximately 24,000 returns at an average of \$1600 per return, generating approximately an additional \$38,400,000 to the State for qualified EITC persons during the first year. In addition, the HCAAs will work with the low-income recipients to increase basic financial literacy to help these families to improve their income status. The HCAAs mission statement of *Helping People, Changing Lives* can be partly realized with this EITC program.

A proportional number of filings will increase each year as more people become aware of this opportunity. Presently, the State (Governor) is aware of more than \$54.3 million EITC and CTC dollars unclaimed by low-income working families in Hawaii which means increased revenues brought into the State.

The Outcomes of this project are:

- Increased revenue estimated at approximately \$36.9 million in the first year of the project brought into the State of Hawaii
- Low and Moderate income persons have accessible source for acquiring financial literacy
- Low and moderate income families and individuals increase their financial literacy skills and knowledge, including budgeting techniques
- Clients meet bank representatives and increase their participation in banking services
- Low income persons acquire assets, rental deposits, down payments, etc
- Savings accounts are established for individuals
- An increase in the number of low and moderate income persons participating in the EITC and CTC program
- An increasing number of persons signing up for and receiving financial literacy training each year

The proposed procurement with the 4 HCAAs builds on the expertise that each of the agencies have developed in their respective statewide and geographic areas of service. The HCAAs have the ability to swiftly communicate and deliver programs and services to low-income individuals and families because they presently work with clients that qualify for EITC and CTC. The HCAAs will offer free Income Tax Assistance to those who would qualify for the EITC and CTC as the entry point of contact and would work with the clients to connect them to a range of economic supports ranging from financial literacy training, credit repair, individual development accounts, consumer financial services, etc. The comprehensive and integrated nature of the services offered to these clients will provide powerful anti-poverty and asset development assistance.

Experts estimate that in 2001, more than \$54.3 million of EITC went unclaimed by working families in Hawaii. The EITC, a refundable credit for families and individuals who work but earn low wages is one of

the nation's largest public benefits for low-income households. The most effective and least expensive way of assisting these low-income working families is by informing them about, and helping them file for the EITC and CTC. If this procurement is implemented with the HCAAs, this initiative will contribute significantly to the State's economy.

Many Community Action Agencies throughout the nation have been involved in EITC outreach, education, and free tax preparation efforts. One of the HCAAs, the Honolulu Community Program, in partnership with other agencies, conducted a successful program on Oahu. The State wishes to launch a statewide program that will reach all working families who qualify, but have failed to apply for the EITC and CTC.

The four HCAAs will be responsible to conduct the project in the geographic area they serve. They will partner to provide tax preparation sites and volunteers. Outreach will be accomplished using media, partners, and word of mouth. Uniform training, centralized technical assistance, electronic management reporting, and on-going evaluation of implementation processes will ensure program quality.

The need for this procurement with the HCAAs:

Poverty is a complex set of problems, not a single issue. It is equally obvious that getting money into the hands of the poor helps address that problem, particularly if it is earned. The EITC is recognized as a powerful work incentive and anti-poverty tool; EITC is a refundable federal tax credit offered to low and moderate income workers with children in the household. The maximum federal EITC refunds for tax year 2001, was \$4008. The EITC is also available to childless singles or to couples who make less than about \$10,000 per year. In addition the CTC can result in several hundred dollars more in tax refunds to low and moderate income families earning above \$10,000 per year.

Unfortunately, millions of dollars of these tax credit refunds owed to eligible persons go unclaimed each year. National estimates based on studies by the General Accounting Office, the Brookings Institution and other are that approximately 15% of eligible families and individuals do not claim the EITC.

The Internal Revenue Service, with a number of private organizations has been trying to maximize legitimate claims for EITC refunds. The IRS provided the following data that help estimate the need in the State of Hawaii:

In tax year 2001, 258,540 of the State's 566,379 returns are low-income because the income reported was less than \$32,120. Using the 15% estimate and the 2001 data for Hawaii, this means that approximately 39,000 additional EITC claims went unfilled. The average 2001 EITC refund in Hawaii was \$1400. The unclaimed EITC funds potentially available to the poor in this State amounted to \$54.3 million for the 2001 tax year.

Research indicates that there are several reasons why eligible people do not claim the tax credits:

- 1) People may simply lack the information that there is an EITC and that they are eligible to receive a refund;
- 2) People may be fearful of the IRS and reluctant to make a claim;
- 3) People may not have access to free tax filing assistance that will help them get the full refund to which they are entitled;
- 4) People have such overwhelming demands on their time and attention – working multiple jobs, securing child care, managing to get food on the table – that they cannot take advantage of the free assistance even when it is available; and
- 5) Language and English comprehension barriers exist.

Once a family is coaxed out of non-participation, and they file an EITC claim, and receive a full and sizeable refund, problems remain. Many such families are not experienced in managing large sums of money, and the monies may not be put to best use. The families may not have received basic financial literacy education or consumer protection information, or if they have, it has not been meaningful because

they was never enough money to have many choices. Further, the families are not connected to financial institutions such as credit unions or banks that can help in planning for a better, more secure future. This, the families do not realize the potential longer-term benefits of knowing about and getting the tax credit refunds.

By procuring the services of all four HCAAs, they will employ the following strategies to accomplish the goals cited above:

- Develop a public awareness and education campaign to market the EITC program. The campaign will be designed to help low-income workers learn about and file for EITC and CTC. The project will include professional design of promotional products and distribution through partnership channels.
- Develop new partners and use existing partnerships to increase outreach to low-income families and individuals while fully utilizing the extensive outreach capabilities of the four HCAAs
- The HCAAs will identify eligible persons from existing clients being served through homeless assistance, TANF, LIHEAP, job training, and other programs
- Develop partnerships to increase free tax preparation services (Volunteer Income Tax Assistance). The Internal Revenue Service, colleges, and universities, banks, credit unions, AARP, Community Action Agency staff, unions, and low-income individuals will be important in employing this strategy. Individual HCAAs may hire staff to provide this service.
- Provide financial literacy education, case management, and assist with developing savings accounts. This will include budgeting workshops, financial literacy training, one-on-one coaching, long-term case management, and banking referrals.
- Financial institutions refer persons who may not qualify for their services to the local HCAA for financial literacy assistance. Their incentive: these referrals may become future customers for them.

This program will provide the following benefits to the State, communities, and people of Hawaii:

- Supplements low-income workers wages and serves as an incentive to continue working.
- Provides free tax preparation, which helps low-income families and individuals retain more of their refund.
- Helps low-income individuals establish a banking home.
- Increase financial literacy.
- Coordinates existing efforts among community partners.
- Creates a positive economic impact on local communities.
- Establishes opportunities to connect low-income families and individuals with other services and resources.
- Elevates some low-income households above the federal poverty guideline.
- Increases volunteer participation and provide an opportunity for community members to assist their neighbors.
- Helps families address transportation challenges, health needs, resolve old debts, make one time purchases, and helps families meet unexpected expenses.
- Increases community members' understanding of poverty conditions.
- Increased revenue to the State.

The project design is based on the successful HCAP experience in 2002-2003, plus the experience of other partnership agencies across the country that have used TANF funding in their states for this purpose. Particularly useful model programs have been developed in Missouri, Chicago, and Oklahoma City.

The project will operate for four (4) years. During that period, it will have two goals: (1) Reaching all eligible clients and assisting them to file appropriate claims, and (2) Enhancing the usefulness of tax credit refunds to the recipients by offering support services design to increase their financial literacy.

During the tax-filing period (January-April of each year), most resources will be directed at the first goal. During May through December of each year, increasing proportions of project resources will be directed at the more complex activities needed to accomplish the second goal.

Each HCAA will use their knowledge of the best way to communicate the benefits of the EITC and the CTC. Each HCAA will decide how many sites to operate, where they will be located, what will be their schedules, their staffing pattern, and volunteer and partnership needs. There is an essential need for each HCAA to be responsive to its population, their locations, and their specific characteristics. Some volunteers already provide free tax assistance during the tax seasons for low income people; through this effort, HCAAs will be able to mobilize an even greater number of volunteers, provide administrative support to them, and more people can be served. These partnerships include Volunteer Income Tax Assistance, AARP, and the IRS.

The HCAAs have long standing partnerships with other agencies in their communities. HCAAs have agreements with the local One-Stop centers in their regions for job training, placement, and referrals. All have developed volunteer groups that assist the HCAAs to bring their services to the broad community while involving volunteers in proactive advocacy.

Funds will purchase marketing and promotional materials, laptop computers for use by the tax filers, to secure model curricula or other materials for financial literacy classes, and for other products or services. Each HCAA will offer free tax filing assistance at multiple locations, convenient to the target population. A coordinator, tax filer(s) and some to perform basic intake tasks will be at each site.

In addition to the tax filing assistance, the HCAAs will provide target population with classes, counseling, coaching, or other support to introduce them to the basics of financial literacy. During February to April 2004, much of the activity will concentrate on assisting eligible persons with tax preparation. Following this period, financial literacy education will take precedence.

The mechanism for program start up is already in place as the four HCAAs have existing contracts with the State Office of Community Services (OCS). Program preparation and start up will need to immediately take place in early February for the main tax filing period from now through April 2004, and for any tax filing extension periods.

Presently, there is no possibility that there could be other providers who could meet the requirements of this project. As a result, it is not practicable to place a public notice and follow the requirements under the 103F purchase of service procurement or under the 103F restrictive purchase of service method.

Details of the process or procedure to be followed in selecting the service provider to ensure maximum fair and open competition as practicable:

The statewide association of Community Action Agencies (HCAPDA) is made up of all four Hawaii agencies: HCAP, HCEOC, KEO, and MEO. It is a 501(c)(3) organization with appropriate charter, by-laws, and annual IRS filings. It has been in continuous existence for over 38 years although its size and activities have fluctuated during that time. All four HCAAs will be selected as service providers.

The HCAAs support its members to act collectively in pursuit of their common promise: *Helping People. Changing Lives.* Members share a common mission of identifying and addressing the causes of poverty in Hawaii. The HCAAs cover all four Hawaii counties; the organizations and their staff are experienced and professional in their activities. The HCAAs receive core funding under provisions of the Community Services Block Grant (CSBG) Act administered in Hawaii by the Office of Community Services (OCS). The OCS requires each HCAA to submit detailed work programs and budgets that are designed to provide services and activities that will assist low-income families and individuals: to remove obstacles and solve problems that impede progress toward self-sufficiency; to secure and retain meaningful employment; and to make better use of available income. HCAAs are also required to conduct regular community needs assessments and independent annual financial audits. In addition, there are special activities which OCS requires concerning coordination and linkages with other public and private

programs to assure the effective delivery of services to low-income families and individuals and to avoid duplication of such services.

Low-income residents of Hawaii, particularly the working poor and TANF recipients have been customers of the HCAAs since the mid-sixties. The four HCAAs are well known and respected in their communities, and they each have numerous partners with whom they collaborate on a regular basis. Their Board of Directors represents the low-income community and the private and public sectors of the community. They are flexible organizations that respond to the needs of their communities while demonstrating a high degree of professionalism in all aspects of their operations. They are monitored regularly by the federal, state, and private grantors and they are accustomed to being responsive to their funding sources. The four HCAAs are the only suitable single source to administer and conduct this Tax Assistance and Financial Literacy Program in Hawaii. Due to their partnerships, many other organizations will assist in the effort, but none other than the four HCAAs could be reasonably be responsible for the entire statewide administration and implementation of the program.